Is Paid Sick Leave Good for Business?

By Caroline Winter
Bloomberg Businessweek
July 20, 2012

A group of influential women, led by feminist author Gloria Steinem, is making a renewed push in New York for City Council Speaker Christine Quinn to allow a vote on a bill that would require businesses to give their employees paid sick leave. Two years after quashing that effort, Quinn says paid sick leave remains a worthy goal but that she is standing by her prior decision.

“With the current state of the economy and so many businesses struggling to stay alive, I do not believe it would be wise to implement this policy, in this way, at this time,” she said in an e-mailed statement. New York Mayor Michael Bloomberg, the founder of Bloomberg Businessweek‘s parent company, also opposes the paid sick leave proposal.

Advocates for the measure contend it would primarily benefit low-income workers such as minorities and women. White-collar workers in New York and elsewhere—dentists, lawyers, and bankers, for example—typically receive pay for days they are out of the office, sick.

To date, San Francisco, Washington, D.C., Seattle, and Connecticut have enacted laws requiring that workers be paid for a certain number of days they are out sick. San Francisco in 2006 approved an ordinance allowing all workers to earn and use paid sick days, becoming the first U.S. city to do so. A 2011 Institute for Women’s Policy Research (IWPR) study based on surveys of 727 employers and 1,194 employees in San Francisco found that the effects were generally positive. Six out of seven employers reported no negative effects on profitability, and most said the new legislation had proven easy to implement.

Employees, it was found, rarely misused sick days, and—despite the availability of either five or nine sick days (depending on the size of the business)—the typical worker used only three. One quarter of employees used zero. Parents with paid sick days were also 20 percent less likely to send a child with a contagious disease to school than parents without the benefit.

“There hasn’t been a loss in employment and there haven’t been large negative effects on employers,” says Kevin Miller, a senior research associate at the IWPR. “A lot of opponents [of mandated sick day legislation] … say that the business costs will be huge, that small businesses won’t be able to sustain them, that workers will abuse the leave—and we know from data from San Francisco that these things simply aren’t true.”

Steinem and other influential women, including former Manhattan borough presidents Ruth Messinger and C. Virginia Fields and actress Cynthia Nixon, say paid sick leave will especially benefit women, who are over-represented in low-wage jobs and often must shoulder the responsibility of caring for sick children. If the IWPR’s studies and analysis are accurate, the businesses currently lobbying against sick days would benefit, too.

In 2010, the Partnership for New York City, which represents the city's biggest employers, released a report (PDF) estimating that paid sick leave could cost employers nearly $800 million annually. A forthcoming IWPR cost-benefit analysis of implementing mandated sick days in New York contradicts these findings. The report, which will come out within weeks, says the bill would likely cause New York businesses to expend an additional $283 million in terms of lost productivity, but that businesses would gain an offsetting $287 million, largely due to savings from reduced turnover. The IWPR also found that the New York metro area would save about $41 million annually on health-care expenses because of reduced emergency care and fewer virus outbreaks.

"A really big problem with the [Partnership for New York City's] estimate is that they assume there will be tons of costs for businesses that are already in compliance with the law, which isn't the case," says Miller, explaining the discrepancies between the IWPR study and the Partnership for New York's analysis. The group's critique (click to access PDF) also says the Partnership for New York City estimate includes the cost of covering independent contractors, who would not, in fact, be covered under the proposed law.

Kathryn Wylde, president of the Partnership for New York City, stands by the group's study. "We would affirm that our estimates are far more accurate than any extrapolation from a San Francisco study," she says. "We went to a range of businesses and got direct feedback on the costs that this type of mandate would have for New York. The biggest costs would be to restaurants, hospitality businesses, and neighborhood retailers."

James Parrott, deputy director and chief economist of New York's nonprofit, nonpartisan Fiscal Policy Institute, agrees with Miller that the bill would be good public policy and beneficial to business owners.

"Sometimes leaders have to do things that may be unpopular," Parrott says. "The example right here in New York City is when the mayor years ago said we're not going to let people smoke in bars and restaurants. There was a big cry from restaurants and bar owners that this would force them out of business, and now the business owners say, 'The atmosphere and climate in my business is much better and my customers are happier, and it hasn't had an adverse impact at all.'"